

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6565

BILL NUMBER: HB 1698

DATE PREPARED: Jan 19, 1999

BILL AMENDED:

SUBJECT: Postsecondary Proprietary Education Grants.

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill combines the Higher Education Award Program for students at postsecondary proprietary educational institutions with the award program for students at other institutions of higher learning. It repeals the Postsecondary Proprietary Grant Program and Fund.

Effective Date: July 1, 1999.

Explanation of State Expenditures: Passage of this bill would allow students who attend post secondary proprietary schools eligible for financial assistance from SSACI program. Under current law, only 21st Century Scholarship awards are eligible for use in proprietary schools. The added pool of students who would be eligible for these grants will depend on the number of accredited institutions which offer associate or baccalaureate degrees recognized by the Commission on Proprietary Education. This analysis assumes that between 2,400 and 3,500 additional students may make requests of \$5 million to \$7.2 million against the Higher Education Award Fund, the Freedom of Choice Grant Fund and the Part Time Student Grant Fund. No appropriation is attached to this bill, consequently, any additional requests that would be generated based on this bill will reduce the awards to students who attend state universities and private not for profit colleges and universities.

This analysis addresses the following issues: the amount of funding available, the potential increase in the number of students and the estimated increase in requests that might be made by students in proprietary schools.

Amount of Funding Available: Since the Postsecondary Proprietary Grant Program and Fund were created by statute in 1989, no appropriations have been made for the fund. The following shows the past expenditures for FY 1997 through 1999 and the recommended appropriations for the 1999 - 2001 biennium.

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
	Expenditures		Appropriations		
Program Name	<u>actual</u>	<u>actual</u>	<u>estimated</u>	<u>recommended</u>	<u>recommended</u>
Freedom of Choice Grants	\$19,113,348	\$20,871,524	\$20,976,119	\$24,371,163	\$26,269,035
Higher Education Awards	\$53,583,352	\$57,569,766	\$61,083,030	\$65,270,689	\$69,849,730
Part Time Grant Program	\$1,127,923	\$2,243,859	\$4,162,372	\$5,000,000	\$5,250,000

Potential Added Pool of Students: The number of students which could be added will depend on the number of students who are enrolled in the certified proprietary schools which offer associate and baccalaureate degrees. The US Department of Education's IPDES (Integrated Postsecondary Education Data System) reports that the number of full and part time students who are enrolled in 23 proprietary institutions that in Indiana that are eligible for federal student loans. These institutions reported 5,530 students enrolled full time and 1,348 students enrolled part time.

SSACI also reports that roughly half of students who apply for financial assistance will have need and will be offered an award from SSACI and that about 35% of the monies will actually be awarded. Less money is actually used because students often decide to either attend a public school instead of a private school and so receive less financial aid or they decide not to enroll in college at all. In order to demonstrate a range in the potential cost, it is assumed that between 35% and 50% of the total students will be offered and use the financial aid.

Range in Tuition Charged by Proprietary Schools: The tuition charged by proprietary schools can range from a high of over \$9,000 per year to a tuition that are similar to public universities. Currently, of those students who attend state and not for profit institutions and who apply for financial assistance, roughly 76% attend public institutions and 24% attend private colleges. For purposes of this analysis, it is assumed that 76% of students will attend proprietary institutions that charge tuition that are similar in amount to those charged by public universities while 24% will attend proprietary schools that charge tuition that is similar in amount to private colleges.

Estimated Increase of Requests for Assistance: Depending on the tuition charged by proprietary schools, the additional requests that would be associated with passage of this bill will depend on the number of students who are enrolled, the number of students who qualify for financial assistance and the amount of financial assistance that is offered.

To estimate these additional requests, it is assumed that between 35% and 50% of all of these students will qualify for student assistance. Full time students will receive awards from the Higher Education Awards Program and the Freedom of Choice Program. Part time students will be offered monies from the Part time Award Program.

Based on these estimates, the increase in total requests will range between \$5 and \$7.2 million. A methodology sheet for calculating these numbers is available from OFMA.

Administrative Costs: Three areas of administrative costs could potentially be incurred by passage of this bill: added staff, computer programming costs and mailing expenses.

Added staff would likely be needed if new students use SSACI administered monies and enroll in an

extended number of proprietary institutions. SSACI would likely need to add an auditor to audit the accounts of the institutions and a clerical person to administer the electronic funds transfers. The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions (11 vacant positions as of December 31, 1998), including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Additional computer programming if proprietary students cannot be administered to in the same manner that SSACI handles the applications of public and not for profit institution students.

SSACI would likely incur additional expenses of \$4 for each student who is added to the system for mailing costs. Depending on the number of students, these additional costs could range between \$8,000 and \$11,000.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Student Assistance Commission

Local Agencies Affected:

Information Sources: Nick Vesper, State Student Assistance Commission, US Department of Education's Integrated Postsecondary Education Data System.